No. 16-1011

IN THE

Supreme Court of the United States

WESTERNGECO L.L.C.,

Petitioner,

v.

ION GEOPHYSICAL CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SUPPLEMENTAL BRIEF FOR THE RESPONDENT

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INTRODUCTION

The government's brief confirms that petitioner has presented the incorrect question to this Court and that this case is a poor vehicle in which to decide whether extraterritorial damages—that is, damages for foreign uses—are available in patent cases. The petition for writ of certiorari should therefore be denied.

In the petition for certiorari, petitioner framed the question presented in terms of, and crafted its arguments under, 35 U.S.C. § 271(f), one of a number of statutory subsections that define substantive acts of patent infringement. But the government does not view this case in terms of § 271(f); it frames the question presented, and indeed the whole case, radically differently. Like respondent, the government recognizes that any question about the scope of damages for patent infringement necessarily turns on the interpretation of 35 U.S.C. § 284, the Patent Act's damages provision. Also like respondent, therefore, the government frames its question presented in terms of, and crafts its arguments under, § 284.

The evident disagreement over the question presented is reason enough to deny the petition. It also demonstrates why a case arising under § 271(f) is a poor vehicle in which to address the availability of extraterritorial patent damages. Section 284 applies to *all* of the acts of infringement set out in § 271. Resolving the availability of extraterritorial damages in a case arising under § 271(f)—a minor gap-filling provision that, unlike the rest of § 271, focuses on the export of components from the United States—is likely to distort the analysis. The better option is for the Court first to tackle the issue of extraterritorial damages in a case arising under § 271(a),

which supplies the most common basis for liability for patent infringement.

Another reason to leave the question presented for another day is this Court's recent decision in *RJR Nabisco, Inc. v. European Community*, 136 S. Ct. 2090 (2016), which the government addresses at length. *See* U.S. Br. at 10-15. *RJR Nabisco*'s framework for analyzing the extraterritorial reach of statutes applies here, but the Federal Circuit has not considered the question presented in light of that framework. Before the Court addresses the availability of extraterritorial patent damages, it should at least have the benefit of the Federal Circuit's analysis on the application of *RJR Nabisco* in this context.

Finally, the government's invocation of cases involving the copyright predicate-acts doctrine does not provide a valid reason for the Court to grant review. The government's approach would seemingly require the Court to decide a question of first impression under copyright law—one that no court of appeals has addressed since *RJR Nabisco*—and then to decide whether the same analysis should apply here. It would thus introduce yet more antecedent questions into an already complicated case.

For all of these reasons, as well as the reasons already stated in the brief in opposition, WesternGeco's petition for writ of certiorari should be denied.

THIS CASE IS A POOR VEHICLE IN WHICH TO ADDRESS THE AVAILABILITY OF EXTRATERRITORIAL PATENT DAMAGES

I. The Parties and the United States Do Not Agree on the Question Presented

Petitioner's version of the question presented focuses on application of the presumption against extraterritoriality in cases arising under one particular patent-infringement provision, § 271(f). *See* Pet. at i. That framing guides petitioner to present most of its arguments in terms of § 271(f). *See* Pet. at 1-2, 12, 16-20, 26-31; Reply Br. at 3-7. But that makes little sense. Petitioner challenges the judgment below as awarding an improper amount of *damages*, rather than reaching the wrong conclusion as to *liability*. The damages available in a patent action are governed by the Patent Act's damages provision, § 284, not by § 271. And as petitioner concedes, § 284 "is a general damages provision that does not distinguish among types of infringement." Pet. at 7. The proper interpretation of § 284 cannot depend on which type of infringement is at issue; "a statute is not a chameleon" whose "meaning . . . change[s] from case to case." *Carter v. Welles-Bowen Realty, Inc.*, 736 F.3d 722, 730 (6th Cir. 2013) (Sutton, J., concurring); *see also Clark v. Martinez*, 543 U.S. 371, 380-81 (2005). Because a ruling in this case would apply to damages under any subsection of § 271, petitioner's § 271(f)-specific arguments should not drive the analysis.

For that reason, respondent reframed the question presented in terms of § 284. *See* Br. in Opp. at i. The government apparently agrees that the question should

focus on § 284; its proposed question does not even mention § 271(f). *See* U.S. Br. at i. As the case now stands, therefore, one party and the government believe that the question presented should focus on one statutory provision, while the other party believes that the question should focus on another.

That divergence alone provides good reason to deny the petition. Confusion or disagreement over the question presented frequently results in dismissal of a petition (or part thereof) as improvidently granted. *See, e.g.*, *Visa Inc. v. Osborn*, 137 S. Ct. 289, 289-90 (2016); *City & Cty. of San Francisco v. Sheehan*, 135 S. Ct. 1765, 1772-74 (2015); *Bd. of Trs. of Univ. of Ala. v. Garrett*, 531 U.S. 356, 360 n.1 (2001). And even when dismissal does not occur, the contours of the question presented may further divide the Court. *See McWilliams v. Dunn*, 137 S. Ct. 1790, 1806-08 (2017) (Alito, J., dissenting) (5-4 decision); *Dart Cherokee Basin Operating Co., LLC v. Owens*, 135 S. Ct. 547, 558-59 (2014) (Scalia, J., dissenting) (same); *Comcast Corp. v. Behrend*, 133 S. Ct. 1426, 1435-36 (2013) (Ginsburg, J., dissenting) (same).

Division over the question presented could prove particularly problematic in this case. The author of the Court's most recent decision on the presumption against extraterritoriality—itself a 4-3 decision—appears to be recused. *See* 137 S. Ct. 2206 (2017); *see also RJR Nabisco*, 136 S. Ct. at 2096. That raises the specter of an affirmance by an equally divided Court. Given these prudential considerations, the better course would be to await a case in which the correct question is properly presented and the entire Court is available to decide it.

II. The Court Should Not Address the Availability of Extraterritorial Patent Damages for the First Time in a Case Arising Under § 271(f)

The disagreement between the parties over the question presented reflects a substantive flaw in this case as a vehicle for the Court's review: it arises under § 271(f), a rarely applied provision that differs from the rest of § 271 in its focus on exports from the United States.

As the Court has explained, Congress enacted § 271(f) in response to the Court's earlier decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972). *See Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 442-45 (2007). In *Deepsouth*, the Court held that a manufacturer did not violate § 271 by making the components of a patented machine and exporting those components for assembly abroad. *See* 406 U.S. at 526-29. Section 271(f) "fill[ed] a gap" left by *Deepsouth* by making a component exporter equally as liable as a manufacturer that assembles the patented item domestically. *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 743 (2017).

Section 271(f) imposes *liability* by defining certain acts as patent infringement. But it says nothing about the scope of *damages* available for infringement. It is the Patent Act's damages provision in § 284—not the liability provisions in § 271—that governs whether lost profits for foreign uses are available as damages for patent infringement. But because § 271(f), unlike § 271(a), "specifically addresses [an] issue of extraterritorial application," *Microsoft*, 550 U.S. at 456 (alteration in original) (citation omitted), addressing the issue of extraterritorial patent damages for the first time in a § 271(f) case would obscure

the analysis—especially where, as here, petitioner relies heavily on the idiosyncratic features of § 271(f).

Addressing the issue of extraterritorial damages in a case arising under § 271(a) would avoid that problem. Section 271(a) creates liability for "direct" infringement—the principal form of infringement under the Patent Act. *See* 5 Donald S. Chisum, *Chisum on Patents* § 17.01, at 17-2 to 17-2.1 (2017). This Court has already decided that § 271(a) does not apply extraterritorially. *See Microsoft*, 550 U.S. at 443. Addressing the issue of extraterritorial damages in a case arising under § 271(a) would thus focus the analysis where it properly belongs: on § 284. Given § 271(a)'s broad application, a case arising under that provision would be more representative of the issues implicated by the potential availability of extraterritorial damages. Such candidates for review will be plentiful, because the Federal Circuit has already held that a patent holder cannot recover lost foreign profits in cases arising under § 271(a). *See Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1371-72 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 900 (2014).

Even if petitioner were correct that the analysis properly turns on the type of infringement at issue (a position the government conspicuously does not endorse), it would still make sense first to consider whether a patent holder can recover extraterritorial damages in a case arising under § 271(a). Congress enacted § 271(f) to place the exporters of components of patented items in a "similar position" to manufacturers that assemble the infringing product domestically and are liable under § 271(a). Pet. App. 45a. The government suggests that damages are available for foreign injuries in cases under *both* provisions, but petitioner contends that foreign lost profits

are recoverable only under § 271(f) because that provision reflects a "congressional judgment to target certain extraterritorial conduct." Pet. at 19. It would be more orderly for the Court first to consider the availability of extraterritorial damages under a more commonly invoked infringement provision such as § 271(a), and then (and only then) to consider whether § 271(f) presents special considerations that other infringement provisions do not.

In short, the Court should address the question of extraterritorial patent damages, if at all, in a case arising under § 271(a). The petition for certiorari should therefore be denied.[1]

III. The Federal Circuit Has Not Yet Applied *RJR Nabisco* in Considering the Availability of Extraterritorial Patent Damages

Even if the Court were inclined to address the availability of extraterritorial patent damages for the first time in the context of § 271(f), now would not be the time to do so. Since the Federal Circuit's initial decision in this case, the Court has issued *RJR Nabisco, Inc. v. European Community*, 136 S. Ct. 2090 (2016)—a decision the government recognizes must be addressed in any analysis of the merits, *see* U.S. Br. at 10-15. But the Federal Circuit has not yet considered the issue of extraterritorial patent

1. The posture of this case further counsels against certiorari. As the government points out, the Federal Circuit did not consider whether respondent's export of components from the United States proximately caused the lost *services* profits claimed by petitioner. *See* U.S. Br. at 9; *see also* Br. in Opp. at 22-23. This Court should not decide an issue of extraterritoriality—which by its very nature implicates important comity concerns—in a case in which it is unclear whether the infringing party even caused the claimed foreign damages.

damages in light of that decision. Before the Court addresses the issue of extraterritorial patent damages itself, it should have the benefit of the Federal Circuit's analysis on the application of *RJR Nabisco* in this context.

1. *RJR Nabisco* involved the question whether the private right of action under the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. § 1964(c), provides redress for injuries suffered outside the territorial jurisdiction of the United States. *See* 136 S. Ct. at 2099. One provision of RICO imposes liability for certain "racketeering activity," *see* 18 U.S.C. § 1962, while another provides a private cause of action to "[a]ny person injured in his business or property by reason of a violation of section 1962," 18 U.S.C. § 1964(c). *See RJR Nabisco*, 136 S. Ct. at 2096-97. Because of RICO's statutory structure, the question whether RICO applied to injuries suffered abroad "really involved two questions": first, whether "RICO's substantive prohibitions, contained in § 1962, appl[ied] to conduct that occurs in foreign countries," and second, whether "RICO's private right of action, contained in § 1964(c), appl[ied] to injuries that are suffered in foreign countries." *RJR Nabisco*, 136 S. Ct. at 2096, 2099.

The Court answered the first question "sometimes" and the second question "no." Some forms of liability under § 1962 do extend to acts in foreign countries, the Court concluded, but "[n]othing" in § 1964(c) "provide[d] a clear indication that Congress intended to create a private right of action for injuries suffered outside of the United States." *RJR Nabisco*, 136 S. Ct. at 2108. Accordingly, RICO's private right of action "d[id] not overcome the presumption against extraterritoriality," even though

some of RICO's substantive provisions did. *See id.* at 2106.

The Court also concluded that a private right of action could reach foreign activity if "the case involve[d] a domestic application of the statute"—that is, if the plaintiff sought compensation for domestic injuries. *RJR Nabisco*, 136 S. Ct. at 2101. But because the plaintiffs' claims admittedly "rest[ed] entirely on injury suffered abroad," they had no cause of action. *Id.* at 2111.

2. *RJR Nabisco* is directly relevant to this case. The Patent Act provides for liability and damages in separate provisions. Section 271 imposes liability for patent infringement, and § 284 permits a patent holder injured by infringement to recover damages. The question is how the presumption against extraterritoriality applies to those provisions. *RJR Nabisco* thus applies to this case in two ways: first, in determining whether to analyze the extraterritorial effect of §§ 271(f) and 284 separately, and second, in determining whether this case involves a "domestic application" of § 284.

The Federal Circuit has not had the opportunity to decide whether (and, if so, how) *RJR Nabisco* affects its analysis of § 284's extraterritorial effect. The Federal Circuit's initial decision in this case predated *RJR Nabisco*. *See* Pet. App. 23a. And when this Court vacated the initial decision below and remanded for reconsideration in light of *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016), the Federal Circuit believed that it lacked the authority to address the extraterritoriality question anew on remand. *See* Pet. App. 4a n.1. Nor has the Federal Circuit addressed the question in another

case since *RJR Nabisco*. Consistent with this Court's familiar role as "a court of review, not of first view," *McLane Co. v. EEOC*, 137 S. Ct. 1159, 1170 (2017) (citation omitted), the Court should give the Federal Circuit the first opportunity to reconsider its analysis in light of *RJR Nabisco*, rather than applying the *RJR Nabisco* framework itself in the first instance.

Given its recent vintage, other courts of appeals are only now starting to apply *RJR Nabisco*'s extraterritoriality framework in other contexts. *See, e.g.*, *Bascuñán v. Elsaca*, 874 F.3d 806 (2d Cir. 2017). At a minimum, awaiting further percolation on extraterritoriality issues more generally may better focus the Court's analysis when it considers the availability of extraterritorial patent damages.

IV. The Predicate-Act Doctrine in Copyright Law Does Not Provide a Valid Reason for the Court To Grant Review

Finally, the government cites several copyright decisions that it asserts are in "tension" with the decision below. *See* U.S. Br. at 19-20. Those decisions do not provide any additional reason to grant the petition.

The decisions the government cites (all of which were issued before *RJR Nabisco*) concern the so-called predicate-act doctrine in copyright law. This Court has never addressed the validity of that doctrine, and it would be unusual for the Court to do so for the first time in a patent case. A copyright doctrine that this Court has never endorsed, and that may not be good law even in the copyright context, should not be the basis for granting certiorari in a patent case.

Drawing the predicate-act doctrine into this case further complicates an already complex question. For example, the Ninth Circuit has held that the predicate-act doctrine allows a copyright owner to recover only *the infringer's profits*, not "actual damages . . . for acts of infringement that mostly occurred outside the United States." *L.A. News Serv. v. Reuters Television Int'l Ltd.*, 340 F.3d 926, 927, 931-32 (9th Cir. 2003), *cert. denied*, 541 U.S. 1041 (2004). It based that holding on a Second Circuit decision establishing the predicate-act doctrine based on the concept of a constructive trust. *See Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939). Whether that doctrine has any analogue in patent law, however, is far from clear—especially given the "particular force" the presumption against extraterritoriality carries under the Patent Act. *Microsoft*, 550 U.S. at 454-55.

Resolving this case based on the predicate-act doctrine would thus require the Court to resolve at least two thorny additional antecedent questions—whether the doctrine is valid, and whether it applies to patent law. That too counsels in favor of waiting to address the question presented in a simpler case—one that arises outside the context of § 271(f) and one that takes into account this Court's decision in *RJR Nabisco*. Especially in the highly irregular circumstances presented here—where the government, in response to a call for the views of the Solicitor General, proposes a quite different question and approach from the one proposed by petitioner—the more prudent course is to deny review and to await a better vehicle.

CONCLUSION

For the foregoing reasons, as well as the reasons already stated in the brief in opposition, WesternGeco's petition for writ of certiorari should be denied.

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